

MINUTES
REGULAR CITY COUNCIL MEETING
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA
CITY COUNCIL CHAMBERS, YUMA CITY HALL
ONE CITY PLAZA, YUMA, ARIZONA
JANUARY 7, 2015
5:30 p.m.

CALL TO ORDER

Mayor Nicholls called the City Council meeting to order at 5:34 p.m.

INVOCATION/PLEDGE

Ed Huff, Pastor, Hospice of Yuma, gave the invocation. **Christopher McKinney**, AmeriCorps VISTA volunteer, led the City Council in the Pledge of Allegiance.

ROLL CALL

Councilmembers Present:	Wright, Knight, McClendon, Thomas, Craft, and Mayor Nicholls
Councilmembers Absent:	Beeson
Staffmembers Present:	City Administrator, Gregory K. Wilkinson Fire Chief, Yuma Fire Department, Steve Irr Assistant Fire Chief, Dusty Fields Various Department Heads or their representative City Attorney, Steven W. Moore City Clerk, Lynda L. Bushong

FINAL CALL

Mayor Nicholls made a final call for the submission of Speaker Request Forms for agenda related items from members of the audience.

PRESENTATIONS

Irr described the actions taken by four member of the community in response to a car accident on Giss Parkway in the early morning hours of November 1, 2014. They risked their lives to make sure no children were in the burning car and assisted the driver while emergency medical personnel were on their way. Mayor Nicholls and City officials presented the Citizen Life Safety Award to Angel Madell, Jonah Madell, Angel Garcia and Bianca Rosales.

Wilkinson recognized Charlie Caudill, Fleet Manager, for his 45 years of service to the City.

Caudill commented that he has enjoyed working for the City and thinks of it as his family.

Wilkinson informed all that Rich Olsen, Information Technology Services, Network Administrator, died unexpectedly this morning. He asked everyone to remember his family.

I. MOTION CONSENT AGENDA

Thomas declared a potential conflict of interest in connection with B.10 due to his employment.

B.10 Authorize the City Administrator or his designee to execute an agreement with the Arizona Department of Homeland Security for reimbursement of funds expended for overtime and mileage for activities in support of Operation Stonegarden. (Police/Patrol)

Motion (Knight /McClendon): To approve B.10 as recommended. Voice vote: **approved** 5-0-1; Thomas abstained due to a conflict of interest as stated above.

B.11 Authorize an amendment to the City Administrator's agreement. (Mayor and Council)

Motion (Wright) moved to remove item B.11 from the Motion Consent Agenda for separate consideration. The City Administrator's salary should be addressed in budget discussions to preserve the integrity of the budget process. The motion **failed** for lack of a second.

Motion (Craft /McClendon): To approve the Motion Consent Agenda, as recommended, with the exception of item B 10, which was pulled for separate consideration and addressed above.

Wright asked for a roll call vote. There was discussion between the **Mayor Nicholls, Craft and Bushong** regarding revising the motion. Councilmember **Craft** declined and **Mayor Nicholls** stated the motion was on the floor and called for the vote. Voice vote: **approved** 5-1; Wright voting Nay.

A. Approval of minutes of the following City Council meeting(s):

City Council Citizen's Forum	October 14, 2014
Regular Worksession	October 14, 2014
City Council Citizen's Forum	November 4, 2014
Regular Worksession	November 4, 2014

B. Approval of Staff Recommendations:

1. Executive Sessions may be held at the next regularly scheduled Special Worksession, Regular Worksession and City Council Meeting for personnel, legal, litigation and real estate matters pursuant to A.R.S. § 38-431.03 Section A (1), (3), (4), and (7). (City Attny)
2. Approve a Person/Location Transfer of a #6, Bar, Liquor License application, submitted by Frank Maisano, agent for Frank's Family Dining of Yuma 2, LLC, dba The Hills Restaurant Patio & Bar, located at 1245 Desert Hills Drive, Yuma, Arizona. (LL15-01) (Admin/ Clerk)
3. Approve a Special Event Liquor License application submitted by Yanna L. Kruse, on behalf of the Yuma County Historical Society, for the Redondo Days Dinner & Auction. The event will be held at the Sanguinetti House Museum, located at 240 Madison Avenue, on Saturday, February 7, 2015 from 3:00 p.m. to 12:00 a.m. (SP15-04) (Admin/ Clerk)
4. Approve a Special Event Liquor License application submitted by Valeri J. Shoemaker, on behalf of the Country Roads RV Village Property Owners Association, Inc., for their 30th Anniversary Celebration. The event will be held at the Country Roads RV Village Ballroom, located at 5707 E. 32nd Street, on the following dates/times in January 2015:
 - Sunday, January 18th from 4:00 p.m. to 11:59 p.m.
 - Monday through Wednesday, January 19th through January 21st from 12:00 p.m. to 11:59 p.m.
 - Thursday, January 22nd and Friday, January 23rd from 9:00 a.m. to 11:59 p.m.(SP15005) (Admin/ Clerk)

5. Approve a Special Event Liquor License application submitted by Danielle Renee Duran, on behalf of the Southwest Performing Arts Foundation, for the Dancing with the Yuma Stars event. The event will be held at the Gowan Building, located at 370 S. Main Street, on Saturday, February 14, 2015 from 6:00 a.m. to 11:59 p.m. (SP15-06) (Admin/ Clerk)
6. Approve a Special Event Liquor License application submitted by Annette Lagunas, on behalf of the Fort Yuma Rotary Club Inc., for the Mardi Gras event. The event will be held in Downtown Yuma, in the 100 block through the 300 block of South Main Street, on Friday, February 13, 2015 from 4:00 p.m. to 12:00 a.m. (SP15-07) (Admin/ Clerk)
7. Approve a Special Event Liquor License application submitted by Joe Cox, on behalf of the City Parks and Recreation Department, for the River Daze / Boogie, Brews and Blues Festival 2015 event. The event will be held at Gateway Park, located at 259 N. Gila Street, on Saturday, February 7, 2015 from 11:00 a.m. to 7:00 p.m. (SP15-09) (Admin/Clerk)
8. Authorize the City Administrator to execute an Installation Agreement and a Measurements and Verification Agreement to upgrade the energy efficiency of 20 City-owned facilities as identified in the scope of work, by utilizing a cooperative purchase agreement with the State of Arizona and the following firm: Climatec, LLC, Phoenix, Arizona. (Admin)
9. Declare surplus of water treatment equipment and authorize the City Administrator or his designee to execute an intergovernmental agreement ("IGA") with the City of Apache Junction Water Utilities Community Facilities District (WUCFD). (Utilities/Admin)
10. Removed for separate consideration; see above.
11. Authorize an amendment to the City Administrator's agreement. (Mayor and Council)

II. RESOLUTION CONSENT AGENDA

Motion (McClendon /Craft): To adopt the Resolution Consent Agenda, as recommended.

Bushong displayed the following title:

Resolution R2015-01

A resolution of the City Council of the City of Yuma, Arizona, declaring that a certain document titled the 2013 Amendments to the Tax Code of the City of Yuma, be declared a public record and ordering the filing of three copies in the office of the City Clerk
(Finance/Administration)

Roll call vote: **adopted** 6-0.

III. ADOPTION OF ORDINANCES CONSENT AGENDA

Mayor Nicholls declared a potential conflict of interest on O2015-01 because his firm is currently working on this project. He turned the meeting over to Mayor Pro Tem McClendon.

Motion (Knight/Thomas): To adopt the Ordinance Consent Agenda, as recommended.

Bushong displayed the following title:

Ordinance O2015-01

An ordinance of the City Council of the City of Yuma, Arizona, authorizing and directing that certain parcels of real property, hereafter described, be acquired by the City of Yuma, by gift, easement or purchase, in order to remedy the construction of a drainage channel to control water run-off and other public purposes, and authorizing payment and costs for the acquisition thereof
(property acquisition to resolve water drainage issues with Desert Hills Golf Course: 3401 S. 18th Ave. and 1771 W. 34th St.) (City Attorney)

Roll call vote: **adopted** 5-0-1; Mayor Nicholls abstained due to a conflict of interest as stated above.

Mayor Nicholls returned to the dais and control of the meeting.

IV. INTRODUCTION OF ORDINANCES

Bushong displayed the following titles:

Ordinance O2015-02

An ordinance of the City Council of the City of Yuma, Arizona, amending the Yuma City Code Chapter 37 relating to the Two-Level Privilege Tax Structure on sales/purchases of retail items exceeding twenty five thousand dollars, extending the repeal of the Two-Level Structure; and providing penalties for violation thereof
(Sets retroactive effective date and new repeal date: 7/31/2009 – 7/1/2015) (Finance/Administration)

Ordinance O2015-03

An ordinance of the City Council of the City of Yuma, Arizona, transferring the collection of the City of Yuma Special Two Percent Tax to the Arizona Department of Revenue; amending the Yuma City Code and the City Tax Code; and providing penalties for violation thereof
(2% Hospitality Tax; DOR) (Finance/Administration)

Ordinance O2015-05

An ordinance of the City Council of the City of Yuma, Arizona, amending Chapter 154 of the Yuma City Code, as amended, relating to zoning regulations, providing for changes to the zoning code to modify regulations for Off-Site Signs and providing penalties for violations thereof
(ZONE-7851-2014; (Community Development/Community Planning)

V. PUBLIC HEARINGS

Annexation Area No. ANEX-7505-2014: Ranchos el Toreo

Mayor Nicholls opened the public hearing at 5:57 p.m. He declared a potential conflict of interest in connection with the development of this property. He turned the meeting over to Mayor Pro Tem McClendon.

Albers presented the following information:

- Description of the property
 - Located at the southwest corner of 36th Street and Avenue 10E
 - 63.5 acres
 - 19 parcels; seven property owners
 - Currently undeveloped
 - The primary property owner (owns 8 of the parcels) intends to develop single family homes – anticipated to be similar to Vista Del Sol, and residential subdivisions to the east.
 - Five of the parcels are currently zoned County RVS.
 - Anticipated City zoning: Recreational Vehicle Subdivision
 - Remaining parcels are currently zoned County R140
- All of the parcels are subject to a 2013 Land Use Plan amendment that changed the designation from Low Density Residential to Medium Density Residential.
- All of the parcels are subject to respective preannexation development agreements that address specific roadway and water utility improvements.

In response to **Wright's** question at yesterday's worksession, **Albers** stated that if all 63.5 acres develop with 3-4 dwelling units each, the area would add some 222-224 new water customers to the system.

Wright asked about the annexation process. **Wilkinson** explained that before the annexation can be completed, 50%+1 of the property owners by number and 50%+1 of the property owners by value must agree to the annexation. All of these property owners have already agreed to the annexation; there is no one involved who does not want to be annexed.

Motion: (Knight/Thomas) To close the public hearing. Voice Vote: **approved** 5-0-1; Mayor Nicholls abstaining due to a conflict of interest. The Public Hearing closed at 6:01 p.m.

Mayor Pro Tem McClendon returned the meeting to Mayor Nicholls.

Ordinance O2015-04: Rezoning of Property at 12th Street and 14th Avenue

Mayor Nicholls opened the Public Hearing at 6:01 p.m.

Alyssa Linville presented the following information:

- Property location: southwest corner of 12th Street and 14th Avenue
- Proposed rezoning: from Medium Density Residential to High Density Residential

- The developer intends to construct a 10-unit apartment complex; Medium Density Residential zoning would permit only five units at this site.
- A conceptual plan of the development shows two buildings – one a one-story building with six units and a second of two stories with four units.
- Neighborhood meeting – neighbors expressed concerns about:
 - Added traffic and traffic congestion
 - Neighbors to the south of the project were concerned with their privacy given that the two-story section might have windows that could overlook into their properties.
 - As an example of his willingness to mitigate concerns, the developer agreed not to install windows that would infringe on their privacy.
- The Planning and Zoning Commission voted to recommend approval of this rezoning to the City Council.

Mayor Nicholls asked about the structure between the apartment site and the neighbors to the south. **Linville** stated that the structure is a drainage channel that drains into a retention basin to the west. The proposed apartment complex is some 20-30 feet distance from the property line to the south.

McClendon asked whether the developer would agree to making his concessions in writing and **Linville** stated they are evidenced in the staff report and staff will make sure that the final design includes no large windows on the second floor of the two-story building..

Motion (Knight /Thomas): To close the Public Hearing. Voice vote: **approved** 6-0; Public Hearing closed at 6:05 p.m.

Resolution R2015-02: Water and Wastewater Utility Rates and Fees

Mayor Nicholls opened the public hearing at 6:06 p.m.

Simonton recalled that tonight's discussion is one of several presentations staff has given on water and wastewater rate increases. No one likes to pay more, but the City's system has reached a point where increasing costs is inevitable. The focus of the proposed rate increases will be replacement and rehabilitation. He displayed a number of maps, each showing where water lines were built in the decades from 1930 to 1980. Replacement of these aging water lines is one of the City's greatest utility needs, though they are by no means all the infrastructure improvements needed. The water lines on the map comprise 160 miles of waterlines built before 1980. Where water lines were installed and when they were constructed shows how Yuma grew during each decade. The older part of town has water lines that were installed primarily in the 1940's and 1950's. Subdivisions in the Yuma Valley, to the south and east on the Mesa were installed in the 1960's, 1970's and 1980's. The kind of pipe that was installed prior to 1980 was cement asbestos pipe. It is very durable, but very brittle and subject to breakage. To replace all of Yuma's aging water system pipes will cost \$126 million and this figure does not include the needs of the water and sewer plants.

The City did not replace the utility lines along 4th Avenue when 4th Avenue was repaved because the project was streamlined by the Arizona Department of Transportation and the City had neither the time nor the means to address the utility lines at the time. Prior to the 4th Avenue repavement, all of the cross streets' utilities were replaced, so the crossing infrastructure is in place.

Discussion

In response to questions from **Mayor Nicholls** and **Wright**, **Simonton** replied; highlights of the discussion follow:

- The revenues raised by the proposed rate increases will not be used for expansion. The current reach of the City's infrastructure and capacity of its treatment plants are adequate to meet the City's needs. Most of Yuma's undeveloped land is located to the east and that area would be served by Desert Dunes Water Reclamation Facility (WRF). Based on growth estimates, Desert Dunes will be adequate for its service area for another 10 years. By then the bonds used to finance its construction will have been paid off.
 - Everything in the Capital Improvement Program (CIP) for utilities in the next several years will be infrastructure replacement - for safety and upgrading.
 - One of the largest CIP projects planned in the next couple of years – that does not fall in the category of rehabilitation and replacement – is the upgrade of the chlorination system at the Main Street water treatment plant. It still uses chlorine gas, which is a safety hazard in such a congested area. New safer alternatives are now available.
- Staff has developed pipeline replacement priorities based on:
 - Age of the existing pipe
 - Brake history of the various installation groups
 - Ability to partner with Public Works street improvement projects
 - In joint projects, each department pays a share of the costs, so that Utilities pays to replace the asphalt that was disturbed by the installation of the utility improvements.
 - Priorities shift from time to time based on events, but a priority list has been developed.
- The cost of replacing these pipes will not remain static; waiting to replace them will mean increased costs.
 - The Utility Fund operates like a business; levels of service cannot be maintained over time without increasing rates.
- Historically, rate increases have paid for operations and maintenance, as well as capital improvements. Water rates were raised in 2006 with automatic increases in 2007 and 2008, ultimately totaling a 19% increase. Wastewater rates were spread over five years, ultimately reaching a 41% increase. These rates paid for large infrastructure projects – the large diameter water and sewer line installations, as well as the large plant projects.

Simonton stated that the proposed increases have been pared down several times, based on previous discussions with Council. Staff feels the recommended percentages are the lowest they can go and still provide enough revenue to do what's needed.

Dan Jackson, Managing Director and Chief Executive of economists.com, consultant to the City, stated that tonight's presentation is the culmination of a year-long process of reviewing the City's water and wastewater rates. This process underscores the City's recognition of its responsibility to properly maintain its water and wastewater systems, as well as justify the increases to City ratepayers. Input on rates has come from the Water and Sewer Commission, the public and prior discussions with the Council.

Why do rates need to be increased? How will the rate increases benefit the community?

- Operating costs are continually rising.
 - General inflation is at a rate of 3% - the cost of chemicals, electricity, insurance, and supplies are all rising.
 - The Water and Wastewater Funds are run like businesses and, as businesses, the cost of the service should be borne by the users of the service.
- The City's water treatment and distribution lines and the wastewater collection and treatment systems are complex; the City has invested millions in their construction and maintenance. But, like anything else, assets wear out. The City is in the position now where it must fund approximately \$27 million in the next five years and \$25 million in the succeeding five years on capital improvements just to keep the system operating at acceptable levels.
- Can the City cut corners?
 - Deferring needed improvements risks damaging the system.
- The City must meet its financial obligation of paying off existing utility infrastructure debt.
 - Staying financially healthy gives the City the ability to borrow additional funds as needed in the future.
- Without these increases, the system will not be able to recover all of the expenses it incurs.
 - Costs are anticipated to rise from their current level of \$42 million to \$45.5 million in 2019 and \$47 million in 2020.
- A well-run system will invite business and economic development.

Jackson displayed charts showing the proposed Schedule of Water Rate increases and Schedule of Wastewater Rates increases. The City's water rates are structured on a base charge (based on meter size) plus fees for the volume of water use in blocks of hundred cubic feet (hcf). Water rates are also based on residential, multifamily or commercial usage. Wastewater rates are broken down into a base charge and fees for residential, non-residential or industrial usage and volume usage also in blocks of specified hcf's. The volume usage fees encourage conservation because the more you use the more you pay and as you move up the tiers of water usage, each hcf becomes more expensive. Tonight's proposal is that the water rates increase by 3% in March 2015, in January 2016 and January 2017; then increase by 2% in January 2018 and 2019. Wastewater rates would increase by the same percentages, but the increases would be effective April 1 of each year. Seventy-five percent of the City's residential water and sewer rate payers have 5/8 or 3/4 inch meters and use 1,600 cubic feet (12,000 gallons) of water per month. Thus, a majority of the City's residential customers would see their bill go from \$71.48 today to \$81.31 in 2019.

Jackson noted that water rates were last increased in 2008 and wastewater rates in 2011. The average water and wastewater utility in the U.S. raises their rates 5-6% every year. Thus, since 2011, the average cost for water and sewer service in the U.S. has gone up 15-16%. Because Yuma has not raised its rates over this time, its charges are 22% below the average. Even with the proposed rate increase, Yuma's rates are projected to be 20-25% below the state average in five years. The fact that Yuma's rates are below average is not sufficient justification on its own to raise rates. It simply shows that Yuma manages a well-run system very efficiently. It also indicates that Yuma is not asking ratepayers to pay a disproportionate amount for their services. Water is a commodity and just like any other commodity, it costs more today than 10 years ago.

Discussion – highlights follow

- **Mayor Nicholls:** Though the Water and Sewer Funds are run like businesses, they do not attempt to earn a profit. **Jackson:** True; the City is only trying to cover costs.
- **Wright:** How would the increases benefit industry? **Jackson:** The City would offer a well-run water and wastewater system, meeting all environmental guidelines. The City would be able to provide the level of service and capacity needed for any type of new business. A reliable water and wastewater system is a benefit to existing and future business and not every community can offer that.
- **Wright:** Are hook-up fees, capacity fees and delivery costs factored into the study's formulas? **Jackson:** Absolutely. Utility funds get revenues from ratepayers and non-rate fees; connection fees are classic non-rate fees. Connection fees are paid by developers who are connecting to the system. They are a way of offsetting the costs of bringing the service to new development. These are an integral part of the calculations.
- **Wright:** Yuma's connection fees are quite high – correct? **Jackson:** Not necessarily. Maricopa County's fees are much higher. Some communities in Arizona have made the choice not to charge connection fees or to have reduced impact fees. In doing so, they have chosen to pass along those costs to everyone in the system – subsidizing of growth by existing ratepayers. Yuma has historically chosen to make "growth pay for itself."
- **Wright:** Could industrial uses be given their own rate schedule because they will be using a lot of water, but bringing jobs and money to the local economy? **Mayor Nicholls:** That is an economic development consideration, not a utility rate question.
- **Knight:** Please confirm that Yuma will still be quite competitive state-wide even after the proposed increases. **Jackson:** Yuma provides an extremely high quality of service at extremely low costs. Other cities are facing the same challenges as Yuma, but Yuma is much more efficient than other utilities. This will continue into the future even with this rate plan in place.
- **McClendon:** When will ratepayers begin to see their investment making a difference? **Simonton:** Several projects will be initiated this year; CIP projects are planned throughout the next five years. The waterline in Madison Avenue north of Giss Parkway will be replaced starting this Spring. The City will be trying out new no-dig technology that holds the promise of creating less of a disturbance in repairing utility lines. Some projects will be delayed past the upcoming winter visitor season to minimize their impacts on local business.
- **Thomas:** If one of the older water lines were to break, how much treated water would be lost? **Simonton:** That depends on the diameter of the pipe, the severity of the break and how quickly the valves could be located to shut the water down.
- **Thomas:** Who would be held responsible? **Moore:** It would depend on the circumstances. Emergency situations always cost more in terms of material and contractors. Sometimes major breaks affect businesses in close proximity and they could file claims. This would result in legal costs, potential settlement and damage payments.
- **Thomas:** How much more would it cost if replacements are deferred and lines break? **Simonton:** It's a established economic fact that work will cost more in the future than it does today. There are many factors that determine how much a break will cost. Sometimes stormwater facilities are in place and they help divert the water away from homes and businesses. Some areas pose very difficult situations, like those areas where the break is in a backyard or an undedicated alley; a break could cause substantial damage before equipment could be put in place to stop or mitigate the flow. It is hard to speculate because there would be so many unknowns.
- **Thomas:** Treated water that is lost in a break cannot be returned to the water treatment plant – correct? **Simonton:** It cannot be returned to the City's water distribution system. If it enters the sewer collection

system and flows into the Figueroa plant, the City receives return flow credits for its consumptive use of the river.

- **Nicholls:** In past discussions, it's been said that a break costs two or three times what proper maintenance would have cost, but repairing of a break isn't really comparable to waterline replacement. **Simonton:** When a line breaks, crews focus on repairing the break and getting the line back into service. But at some point, that line, though repaired, would need to be addressed for long-term service.
- **Craft:** It's been mentioned that utility lines installed prior to 1950 were not installed by the City. Please explain. **Simonton:** In the late 1960's or early 1970's, the City purchased the Arizona Water Company. The Arizona Water Company installed all of the facilities in the system up to that point, which was primarily the older parts of town. Because of this, the City doesn't know what was originally installed – pipe sizes and pipe material are all unknown. There is an atlas of the system, but it has not proven accurate. As the lines have been addressed, there have been a number of surprises – pipes with very thin or very thick walls; steel banded wooden pipe; and even cast iron pipe.

Speakers - highlights

Wilkinson read a letter from **John Courtis**, Executive Director of Yuma County Chamber of Commerce, dated January 7, 2015, that stated he supports the rate increase because staff has made a strong business case for system improvements, especially since staff sharpened their pencils and reduced the recommended percentages several times.

Mayor Nicholls recessed the meeting for a short break at 7:03 p.m. At 7:15 p.m., **Mayor Nicholls** reconvened the meeting.

Speakers – highlights, continued

Dennis Franklin, owner of property at 1845 Arizona Avenue and living at 12781 E. 42nd Street, asked why the City doesn't have an accrual account whereby a portion of every dollar is set aside to take care of aging infrastructure. The City should not pursue additional debt because of the added costs. The timing of these rate hikes is good since the cost of fuel has dropped. The City should envision clear goals for the community and communicate its plan for reaching its goals to the community – something the whole community could rally around. There would be no problem with raising rates if the community could see how rates further the City's and the community's goals. **Mayor Nicholls** stated the City has put aside \$5 million to address the needs.

Tom Kelly, 201 W. 2nd Street, disagreed with the approach taken by the consultant. The size of the repair project warrants bonding – get the money and get the work done. Interest rates are low right now and the City could avoid inflation. If this infrastructure lasts 50-60 years, why try to pay it off in only five? Left out of the presentation is the fact that the City is already overcharging people in Yuma; apartments and homeowner's associations are charged more for their sewer than they use – they are charged as commercial. After his association re-metered, they saved \$48,000 in two years. There's been nothing said about the additional personnel that will have to be hired – their salary and benefit costs. He's heard personnel costs could be some \$700,000. These self-sufficient Water and Sewer Funds should be changed from enterprise funds to funds that can get revenues from other sources – like the 2% tax. The City's money should be used for what's a priority – repairs not employees. Five years won't be enough time to do all this work; it looks like this is going to be an ongoing process, so five years from now, rates will have to be increased again.

Wright questioned Kelly more specifically about how much he would suggest. **Kelly** stated he wouldn't bond just \$27 million; the total replacement project needs \$126 million. The City's experts get all of the information to make those decisions, not members of the public.

Simonton responded that, based on the standard formula, the City would need to get \$1.25 in revenue for every dollar of debt. Commercial loan interest rates are no lower than 5% at this time. The payment on a \$27 million loan would be \$2.1 million a year. The proposed increases won't bring in that much. The City would end up paying \$50 million over the life of a 20-year loan. **Wilkinson** stated that employee costs would be \$174,000 – that's three employees for five years – salaries and benefits. **Mayor Nicholls** explained that 2% tax revenues cannot be spent on utilities, per voter approval. **Simonton** further stated that commercial buildings with only a single meter are charged sewer charges based on all the water going through the meter because there's no way of knowing what's being used for irrigation. The City encourages users to install a separate water meter for irrigation; water running through that meter is not charged sewer charges because none of that water goes into the wastewater treatment plant. **Mayor Nicholls** added that installing separate domestic and irrigation water meters has been standard practice for 20 years. The City does not mandate the practice; it is the developer's choice.

Wayne Benesch, 230 W. Morrison Street, expressed his views on why the City finds it necessary to raise rates:

- Between 2003 and 2014, the base water rate more than doubled and the sewer rate rose 70%.
- Between 2006 and 2008, the City issued \$300 million in bonds for new infrastructure, much of which has not been built. Debt service on unneeded projects will continue to be a burden until growth rebounds. There was a decision not to pay back the unused portion of the bond revenues that would have reduced the debt burden.
- The stated purpose of the bonds was to accommodate growth; that growth never happened. The 2006 rate study revenue projections relied on unsustainable growth.
- Current debt service for water and sewer bonds is \$15 million per year.
- Ratepayers are having to carry the burden intended for developers.
- Water and sewer capacity charges are so high that perspective new businesses decline to consider Yuma.
- The Agua Viva Water Treatment Plant construction had \$30 million in overruns – making it cost double what was budgeted. These overruns were outrageous – no one was paying attention while the fox was guarding the hen house.
- A single company was used to design, build and manage the construction of Desert Dunes Water Reclamation Facility (Desert Dunes WRF); City inspectors were not allowed onsite during construction.
- The budget forecast in the 2006 study failed to include additional staff that would be needed at the new Desert Dunes WRF. Inadequate due diligence resulted in poor forecasting of needed personnel.
- Water consumption has dropped 13% since 2006.
- The local economy has been mired in a recession since 2008 and Yuma's not out of it yet. There's been no explanation of the need for increases at a time when businesses everywhere were slashing costs and cutting personnel just to survive. The City didn't respond with cuts.
- Inflation has been largely nonexistent.
- Water and sewer costs have risen 3% annually and the staffing budget have nearly doubled.
- The City is asking for another 14% increase in water and wastewater rates over the next five years. The only people left to suffer the consequences are local ratepayers.

If the City's utility department were a business, it would be broke by now, but because it's a City department, it can just raise rates and suffer no adverse effects. This pattern of costly mistakes must stop. The City should harness the knowledge, expertise and business acumen of its fellow citizens. Those in City management positions are not business people. The City should limit its use of outside consultants. He recommended the creation of an advisory committee to examine the entire water and wastewater department to explore bonding options, discover cost savings and possible operational efficiencies.

Craft: Aren't the City's boards and commissions already in place to give the Council advisory input?

Benesch: The Water and Sewer Commission deals with day-to-day issues and this is a unique situation that needs innovative thinking – a different strategy. Whatever has been in place isn't working adequately. Perhaps successfully businessmen could be brought in to work with the Water and Sewer Commission – whatever it takes to stop the mistakes of the past. Rate increases for legitimate reasons are no problem, but don't make ratepayers pay for things they shouldn't have to pay for. He, personally, is not convinced that all of the options have been fully explored.

Wilkinson explained that he has been working with Benesch and stated that the first thing to do is define the problem. The past is water under the bridge; staff shouldn't spend time trying to research it. The issue now is what to do going forward. During the downturn the City did cut costs; the City cut 17% of its personnel through attrition during the first couple of years. Few of those were from the Utility Department because the utilities had to keep operating. The City hasn't purchased new trucks for the Utility Department for 13 years. The City cut inspectors because new construction wasn't happening; now inspectors are being hired. He would like to sit down with Benesch and define the problem and explain why bonding doesn't make sense. An advisory committee could consider more than just water and sewer rates; it could come up with alternatives for dealing with the Highway User Revenue Funds and road issues.

McClendon supported the creation of an advisory committee, if done in a timely manner. **Benesch** stated that at first he felt the committee should convene quickly and complete its work in a very short time because the City is entering another budget cycle. But, upon second thought, the City could put something in place temporarily – for a year – and then form a committee. The committee – in conjunction with City staff – will be able to come up with better solutions and the City could come back in a year and adjust what was put in place. The committee concept could become a part of the City's ongoing vision – the community working together on issues one at a time. A committee will mean a greater workload, but in the end it will save work.

McClendon asked whether the rates could legally be changed in a year if the resolution is adopted today.

Wilkinson stated that the rate increase is only part of the problem – only \$27 million worth of a much larger problem. The bigger issue is how does the community financially address its needs in the future. That said, something needs to be done now because those 70-year old pipes will not last forever. He welcomes Benesch's idea, but the City still needs to generate a baseline amount of money so replacement can begin. The City is facing a \$56 million Phase 2 addition to Desert Dunes WRF in 2027 that will probably require bonding. That's part of long-term planning. If the Council moves forward with the proposed rate increases, it could still decide at some future time to bond the money to complete what's left of the replacements. Right now, bond ratios suggest bonding isn't a good idea, but staff is looking at information the public doesn't have and that information needs to get out to key members of the community. If the City bonded the whole amount needed - \$126 million – ratepayers would be looking at a much higher increase than what's being proposed. The Council can revisit this issue at any time. The advisory committee would be used as a study group for roads, vehicles and infrastructure, among other things. **McClendon** opined that

the Council is not just responsible for taking care of now, but must and should move to take care of tomorrow.

Thomas agreed with Benesch's proposal because the City must move forward in a more fiscally responsible way than in the past. He would like to be a member of that committee and would like this idea discussed at the City's upcoming retreat. **Mayor Nicholls** explained that the make-up of the committee is already underway. Adding an elected official could pose certain legal requirements; the committee needs to be able to move quickly. But, he will keep Thomas in mind; he encouraged Councilmembers to bring their ideas to the retreat for further discussion.

Knight discussed with **Mayor Nicholls** whether the resolution should be amended to include a specific date for the Council to revisit the issue. **Knight** stated he would like to see something in writing. **Mayor Nicholls** stated that he has made a commitment to Benesch that the increases would be revisited. It is enough that there's a general consensus to do so.

Wright expressed enthusiasm for an advisory committee because it is the embodiment of the United Yuma concept. Before the vote is taken, the Council should consider whether it is addressing just the problem and not the cause. Is the City's process at fault? Has it looked at all the alternatives – tapping into local business leaders, not just a consultant? He quoted Governor Doug Ducey who recently stated that government is spending unwisely and raising taxes simply allows excuses ineffectiveness to continue. He, too, would like to be a member of the proposed committee.

Thomas also expressed a desire to set a date for revisiting the resolution. **Wilkinson** recommended against raising the rates for only one year because the rate increase process is quite complicated. The rates in the resolution can be adjusted at any time. An advisory committee is going to require a significant amount of time. It may take more than 6 months. **Thomas** suggested setting a date of three years, to allow some of the CIP projects to be completed. Some sort of trigger is needed to set a review in motion. **Mayor Nicholls** stated that he did not think that was necessary. The public will undoubtedly remind the Council and the Council's intent is evidenced in the minutes. He would prefer to adopt the plan for five years and be able to adjust it, without going through the entire public hearing process after just a few years. **Knight** and **Thomas** agreed, given that it is everyone's intent to follow-up with a review.

Motion (Knight /Thomas): To close the Public Hearing. Voice vote: **approved** 6-0; Public Hearing closed at 8:33p.m.

Motion (Craft /McClendon): To adopt Resolution R2015-02 as recommended and amended. Roll Vote: **adopted** 5-1; Wright voting Nay.

FINAL CALL

Mayor Nicholls made a final call for the submission of Speaker Request Forms from members of the audience for the Call to the Public agenda item.

VI. ANNOUNCEMENTS AND SCHEDULING

Councilmembers reported on meetings attended and upcoming events, as follows:

- **Thomas:** Participated with Craft and Mayor Nicholls in gift wrapping and dinner at Catholic Community Services.
- **Mayor Nicholls:** Inauguration of Governor Ducey and other elected State officials; onsite with firefighters as Stewart Vincent Wolfe/Castle Park burned at the hands of an arsonist.

Wright asked that the City's boards and commissions program be reviewed at an upcoming meeting.

VII. SUMMARY OF CURRENT EVENTS

Wilkinson drew attention to the following upcoming events:

- January 9 – February 26, 2015: Senior Games
- January 10, 2015: Military Appreciation Day
- January 10, 2015: Downtown – New Year's Resolution 5K/10K run/walk
- January 10, 2015: Household Hazardous Waste
- January 13, 2015: A meeting for all those who are interested in being involved in the rebuilding of the Stewart Vincent Wolfe Playground, aka Castle Park.

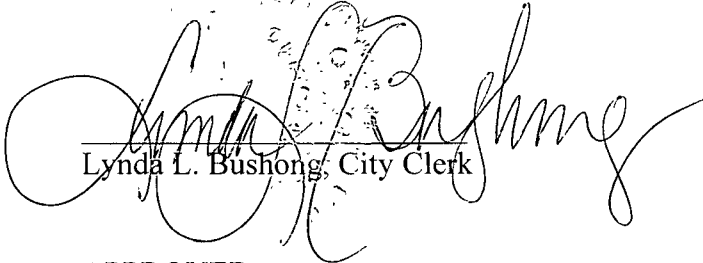
VIII. CALL TO THE PUBLIC

Mike Ivers, CEO Yuma Community Food Bank, 2404 E. 24th Street, expressed his appreciation to the City, City employees and the citizens of Yuma for their incredible support of the Food Bank. Imagine if the Food Bank no longer existed; its responsibilities would be on the City's front door steps. He read four poignant stories that came into the Food Bank on Monday. Each was written by a person in difficult situations who was helped by the Food Bank. The Food Bank is serving 25% of the City's population. He asked that the City support the Food Bank with a direct donation of \$50,000 next year. The Food Bank would provide a great return on the City's investment.

Anella Crouch, 1362 W. Santa Maria Way, spoke against the rezoning of property at 12th Street and 14th Avenue (O2015-04). The existing property owners' concerns should be just as important as the developer's interests. High density residential at this site is not a good idea because of the potential for increased crime, especially near an elementary school, and increased parking and traffic congestion, which will put the children who walk to school at risk. The design of the apartments will create a cul-de-sac that will not be visible to police as they patrol. Most of the children walk to school and it's already dangerous even with a crossing guard. Drug activity on 14th Avenue between 8th and 12th Streets is bad. People who offer solutions should at least visit the site to see if their solutions would work.

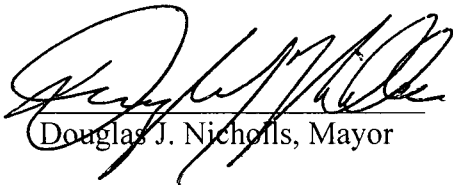
IX. EXECUTIVE SESSION/ADJOURNMENT

There being no further business, **Mayor Nicholls** adjourned the meeting at 8:54 p.m. No Executive Session was held.



Lynda L. Bushong, City Clerk

APPROVED:



Douglas J. Nicholls, Mayor

Approved at the City Council Meeting of:
September 2nd, 2015
City Clerk: 